

September 2, 2020

VIA ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 4770 – Electric Earnings Sharing Mechanism
Earnings Report - Twelve Months Ended December 31, 2019
Responses to PUC Data Request – Set 2**

Dear Ms. Massaro:

On behalf of National Grid,¹ enclosed please find a copy of the Company's response to data requests PUC 2-7 in the above-referenced docket.²

The Company's responses to remaining data requests PUC 2-4 and PUC 2-6 are pending.

Thank you for your attention to this transmittal. If you have any questions regarding this filing, please contact me at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4770 Service List
John Bell, Division
Christy Hetherington, Esq.
Leo Wold, Esq.

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

² Per practice during the COVID-19 emergency period, the Company is providing a PDF version of these responses. The Company will provide the Commission Clerk with a hard copy and, if needed, additional hard copies of this transmittal at a later date.

PUC 2-7¹

Request:

PUC 1-5 asked whether the Company's earnings were overstated in any publications to investors. The response states that "neither the Company nor any of its affiliates have over-reported earnings in any other public documents . . ." With reference to this response, please compare page 34 of National Grid plc's "2019/20 Full Year Results Statement," found at:

https://investors.nationalgrid.com/~/_media/Files/N/National-Grid-IR-V2/results-centre/2020/results-statement-fy2019-20.pdf

- a. The document represents that the Return on Equity for Narragansett Electric for fiscal year 2019/20 was 11.9%.
 - i. Recognizing the differences between calendar and fiscal year reported earnings, please explain why the 2019 calendar year "Actual Earnings" stated in the revised earnings report is given as 9.12%, while the Full Year Results Statement states the return on equity for the distribution business for FY 2019/20 at a materially higher 11.9%.
 - ii. Please provide an explanation and schedule that reconciles the difference between the two earnings numbers.
 - iii. Please separately identify any difference between the calendar year-end reported earnings percentage and fiscal year-end reported earnings percentage that is **not** solely attributable to timing difference.

- b. The document represents the Return on Equity for Narragansett Electric for fiscal year 2018/19 was 10.7%.
 - i. Recognizing the differences between calendar and fiscal year reported earnings, please explain why the 2018 calendar year "Actual Earnings" stated in the revised earnings report is given as 6.14%, while the Full Year Results Statement states the return on equity for the distribution business for FY 2018/19 at a materially higher 10.7%.
 - ii. Please provide an explanation and schedule that reconciles the difference between the two earnings numbers.
 - iii. Please separately identify any difference between the calendar year-end reported earnings percentage and fiscal year-end reported earnings percentage that is **not** solely attributable to timing difference

¹ The Company's response begins on page 2.

PUC 2-7, page 2

- c. If the Company's review of this document reveals that the earnings of Narragansett Electric's distribution business were incorrectly represented to investors on page 34, (i) please explain why the Company did not identify this document in its response to PUC 1-5 and (ii) please file a corrected response to PUC 1-5, answering the questions asked in PUC 1-5, with reference to the above cited document.

Response:

- a & b. Please refer to Attachment PUC 2-7 which reconciles Actual Earnings in calendar years 2018 and 2019 to the fiscal year Full Year Results Statement in fiscal years 2019 and 2020. Reconciling items that are not solely attributable to timing differences in reporting periods are noted as "non-timing".
- c. The Company's review of National Grid plc's "2019/20 Full Year Results Statement" and the reconciliation of earnings results presented at Attachment PUC 2-7 illustrates that the earnings of Narragansett Electric's distribution business were not incorrectly represented to investors.

The largest reconciling item between CY 2019 and FY 2020 earnings is net income related to BITS investments of \$9.2 million which represents approximately 200 basis points of return on equity. The revenue requirement on BITS investments is ultimately recovered from Narragansett Electric's retail customers through FERC-regulated transmission rates, and therefore BITS-related net income is excluded from the calculation of RIPUC-regulated electric distribution earnings. However, for management reporting purposes, the portion of BITS-related net income attributable to the recovery of operating expenses is recorded as distribution earnings, as the Company considers BITS assets to be distribution assets based on its voltage of 34.5kV (distribution level voltage).

Likewise, net income on BITS investments is also a major reconciling item between CY 2018 and FY 2019, totaling \$8.9 million and approximately 200 basis points of return on equity. CY 2018 also saw the commencement of the new rate plan under Docket 4770 effective September 1, 2018. Therefore, due to the timing difference in earnings reporting periods, FY 2019 earnings reflected seven months of new rates as compared to CY 2018 earnings which reflected only four months of new rates, resulting in \$9.1 million in additional revenue in fiscal year 2019 compared to calendar year 2018 which represents approximately 250 basis points of return on equity.

THE NARRAGANSETT ELECTRIC COMPANY
Return on Electric Distribution Common Equity Reconciliation
Regulated Earnings for the twelve months ended Dec 31, 2018 and Dec 31, 2019 and
Financial Earnings for the twelve months ended Mar 31, 2018 and Mar 31, 2019

	Description	Reference	CY 2018/ FY 2019	CY 2019/ FY 2020	
			(a)	(b)	
Earnings Reconciliation					
1	Base Earnings Available for Common per ESM at Dec 31		\$18.1	\$34.5	
2	Incentive revenue		\$6.6	\$6.4	
3	Income tax on incentive revenue		(\$1.4)	(\$1.3)	
4	Actual Earnings Available for Common per ESM at Dec 31	Sum of Line 1 through Line 3	<u>\$23.4</u>	<u>\$39.6</u>	
5					
6	Reconciling Items:				
7	Additional RDM Revenue included in Finance ROE Jan thru Mar		\$9.1	\$2.6	timing
8	Excess ADIT amortization excluded from Finance ROE		\$3.3	\$4.5	non-timing
9	Bad debt expense included in Finance ROE versus net write-offs included in ESM		(\$2.3)	(\$2.3)	non-timing
10	Net Income from BITS included in Finance ROE		\$8.4	\$9.2	non-timing
11	COVID related costs excluded from Finance ROE		\$0.0	\$0.7	non-timing
12	Company Share of Earned Savings included in ESM		\$2.1	\$0.0	non-timing
13	Variable pay excluded from ESM		(\$0.6)	(\$0.2)	non-timing
14	Sales expense excluded from ESM		(\$0.3)	(\$0.2)	non-timing
15	Additional Income Taxes Computed for Finance ROE		(\$4.3)	(\$5.0)	imputed/flowthrough
16	Difference on imputed Interest Expense		\$2.3	\$0.2	imputed/flowthrough
17	Other Differences due to different period coverage		\$0.3	\$1.5	timing
18	Earnings Available for Common per ROE at March 31	Sum of Line 4 through Line 17	<u>\$41.4</u>	<u>\$50.7</u>	
19					
20	Rate Base Reconciliation				
21	Rate Base at Dec 31 per ESM		<u>\$798.8</u>	<u>\$881.6</u>	
22	Reconciling Items:				
23	Net Plant Additions in 3 months (Jan-March)		\$35.9	\$36.0	timing
24	Difference on Prepaids and Inventory		(\$6.1)	\$2.0	timing
25	Difference on Commodity CWC		\$0.2	(\$1.2)	timing
26	Difference on ADIT (due to BITS)		(\$49.4)	(\$21.8)	non-timing (BITS); timing (all other)
27	Difference on Customer Deposit & Unamortized items		\$0.1	(\$2.4)	timing
28					
29	Rate Base at March 31 per ROE	Sum of Line 21 through Line 27	<u>\$779.4</u>	<u>\$894.1</u>	
30					
31	Average Rate Base				
32	Per ESM (five-quarter average)	Per ESM	\$747.8	\$850.9	
33	Per ROE (year over year average)	Average of Line 29	\$758.0	\$836.8	
34					
35	Average Equity Rate Base				
36	Per ESM	Line 32 * 50.95%	\$381.0	\$433.5	
37	Per ROE	Line 33 * 51%	\$386.6	\$426.8	
38					
39	Return (Actual Earnings)				
40	Per ESM	Line 4 ÷ Line 36	6.14%	9.12%	
41	Per ROE	Line 18 ÷ Line 37	10.7%	11.9%	

Notes

ESM = CY 2019/CY 2018 annual distribution earnings report to RIPUC
ROE = earnings reported in FY 2019/ FY 2020 NG plc Annual Report

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Joanne M. Scanlon

August 24, 2020

Date

**National Grid Docket No. 4770 (Rate Application) & Docket No. 4780 (PST)
Combined Service list updated 7/20/2020**

Docket No. 4770 Name/Address	E-mail Distribution List	Phone
National Grid Jennifer Hutchinson, Esq. Celia O'Brien, Esq. National Grid 280 Melrose St. Providence, RI 02907 Electric Transportation: Bonnie Crowley Raffetto, Esq. Nancy Israel, Esq. National Grid 40 Sylvan Road Waltham, MA 02451	Jennifer.hutchinson@nationalgrid.com ;	781-907-2153
	Andrew.marcaccio@nationalgrid.com ;	401-784-7288
	Celia.obrien@nationalgrid.com ;	
	Najat.coye@nationalgrid.com ;	
	Joanne.scanlon@nationalgrid.com ;	
	Bill.Malee@nationalgrid.com ;	
	Melissa.little@nationalgrid.com ;	
	William.richer@nationalgrid.com ;	
	Theresa.burns@nationalgrid.com ;	
	Ann.leary@nationalgrid.com ;	
	Scott.mccabe@nationalgrid.com ;	
	kayte.o'neill2@nationalgrid.com ;	
	kate.grant2@nationalgrid.com ;	
	Timothy.roughan@nationalgrid.com ;	
Jason.Small@nationalgrid.com ;		
bonnie.raffetto@nationalgrid.com ;		
nancy.israel@nationalgrid.com ;		
Adam Ramos, Esq. Hinckley Allen 100 Westminster Street, Suite 1500 Providence, RI 02903-2319	aramos@hinckleyallen.com ;	401-457-5164
John Habib Keegan Werlin LLP 99 High Street, Suite 2900 Boston, MA 02110	jhabib@keeganwerlin.com ;	617-951-1400
Division of Public Utilities (Division) Leo Wold, Esq. Christy Hetherington, Esq. Division of Public Utilities and Carriers	Chetherington@riag.ri.gov	401-780-2140
	Leo.Wold@dpuc.ri.gov ;	
	John.bell@dpuc.ri.gov ;	

89 Jefferson Blvd. Warwick, RI 02888	Al.mancini@dpuc.ri.gov ; Thomas.kogut@dpuc.ri.gov ;	
Tim Woolf Jennifer Kallay Synapse Energy Economics 22 Pearl Street Cambridge, MA 02139	twoolf@synapse-energy.com ; jkallay@synapse-energy.com ; mwhited@synapse-energy.com ;	617-661-3248
David Efron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	Djeffron@aol.com ;	603-964-6526
Gregory L. Booth, PLLC 14460 Falls of Neuse Rd. Suite 149-110 Raleigh, N. C. 27614	gboothpe@gmail.com ;	919-441-6440
Linda Kushner L. Kushner Consulting, LLC 514 Daniels St. #254 Raleigh, NC 27605		919-810-1616
Office of Energy Resources (OER) Albert Vitali, Esq. Dept. of Administration Division of Legal Services One Capitol Hill, 4 th Floor Providence, RI 02908	Albert.Vitali@doa.ri.gov ; nancy.russolino@doa.ri.gov ; Christopher.Kearns@energy.ri.gov ; Nicholas.Ucci@energy.ri.gov ; Becca.Trietch@energy.ri.gov ; Carrie.Gill@energy.ri.gov ; Yasmin.Yacoby.CTR@energy.ri.gov ;	401-222-8880
Conservation Law Foundation (CLF) Jerry Elmer, Esq. Max Greene, Esq. Conservation Law Foundation 235 Promenade Street Suite 560, Mailbox 28 Providence, RI 02908	jelmer@clf.org ; mgreene@clf.org ;	401-228-1904
Dept. of Navy (DON) Kelsey A. Harrer, Esq. Office of Counsel NAVFAC Atlantic, Department of the Navy 6506 Hampton Blvd. Norfolk, VA 23508-1278	kelsey.a.harrer@navy.mil ;	757-322-4119

Kay Davoodi, Director Larry R. Allen, Public Utilities Specialist Utilities Rates and Studies Office NAVFAC HQ, Department of the Navy 1322 Patterson Avenue SE Suite 1000 Washington Navy Yard, D.C. 20374	khojasteh.davoodi@navy.mil ;	
	larry.r.allen@navy.mil ;	
Ali Al-Jabir Maurice Brubaker Brubaker and Associates	aaljabir@consultbai.com ;	
New Energy Rhode Island (NERI) Seth H. Handy, Esq. Handy Law, LLC 42 Weybosset St. Providence, RI 02903 The RI League of Cities and Towns c/o Brian Daniels, Executive Director PRISM & WCRPC c/o Jeff Broadhead, Executive Director Newport Solar c/o Doug Sabetti Green Development, LLC c/o Hannah Morini Clean Economy Development, LLC c/o Julian Dash ISM Solar Development, LLC c/o Michael Lucini Heartwood Group, Inc. c/o Fred Unger	seth@handylawllc.com ;	401-626-4839
	helen@handylawllc.com ;	
	randelle@handylawllc.com ;	
	bdaniels@rileague.org ;	401 272-3434
	jb@wcrpc.org ;	401-792-9900
	doug@newportsolarri.com ;	401.787.5682
	hm@green-ri.com ;	
	jdash@cleaneconomydevelopment.com ;	
mlucini@ismgroup.com ;	401.435.7900	
unger@hrtwd.com ;	401.861.1650	
Energy Consumers Alliance of NE James Rhodes Rhodes Consulting 860 West Shore Rd. Warwick, RI 02889 Larry Chretien, PPL	jamie.rhodes@gmail.com ;	401-225-3441
	larry@massenergy.org ;	

Acadia Center Robert D. Fine, Esq. Chace, Rutenberg & Freedman, LLP One Park Row, Suite 300 Providence, RI 02903 Amy Boyd, Esq. Acadia Center 31 Milk St., Suite 501 Boston MA 02109-5128	rfine@crflp.com ;	401-453-6400 Ext. 115
	aboyd@acadiacenter.org ;	617-472-0054 Ext. 102
Northeast Clean Energy Council Joseph A. Keough, Jr., Esq. Keough & Sweeney 41 Mendon Ave. Pawtucket, RI 02861 Jeremy McDiarmid, NECEC Dan Bosley, NECEC	jkeoughjr@keoughsweeney.com ;	401-724-3600
	jmcdiarmid@necec.org ;	
	dbosley@necec.org ;	
The George Wiley Center Jennifer Wood Rhode Island Center for Justice 1 Empire Plaza, Suite 410 Providence, RI 02903 Camilo Viveiros, Wiley Center	jwood@centerforjustice.org ;	401-491-1101
	georgewileycenterri@gmail.com ;	
	Camiloviveiros@gmail.com ;	
	chloechassaing@hotmail.com ;	
Wal-Mart Stores East & Sam's East, Inc. Melissa M. Horne, Esq. Higgins, Cavanagh & Cooney, LLC 10 Dorrance St., Suite 400 Providence, RI 20903 Gregory W. Tillman, Sr. Mgr./ERA Walmart	mhorne@hcc-law.com ;	401-272-3500
	Greg.tillman@walmart.com ;	479-204-1594
AMTRAK Clint D. Watts, Esq. Paul E. Dwyer, Esq. McElroy, Deutsch, Mulvaney & Carpenter 10 Dorrance St., Suite 700 Providence, RI 02903 Robert A. Weishaar, Jr., Esq. Kenneth R. Stark, Esq.	CWatts@mdmc-law.com ;	401-519-3848
	PDwyer@mdmc-law.com ;	
	BWeishaar@mcneeslaw.com ;	
	KStark@mcneeslaw.com ;	
Original & 9 copies file w/:	Luly.massaro@puc.ri.gov ;	401-780-2107

Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Cynthia.WilsonFrias@puc.ri.gov ;	
	Alan.nault@puc.ri.gov ;	
	Todd.bianco@puc.ri.gov ;	
	Margaret.hogan@puc.ri.gov ; John.harrington@puc.ri.gov ;	
DOCKET NO. 4780		
ChargePoint, Inc. Edward D. Pare, Jr., Esq. Brown Rudnick LLP One Financial Center Boston, MA 02111 Anne Smart, Charge Point, Inc.	EPare@brownrudnick.com ;	617-856-8338
	jreyes@brownrudnick.com ;	
	Anne.Smart@chargepoint.com ;	
	Kevin.Miller@chargepoint.com ;	
Direct Energy Craig R. Waksler, Esq. Eckert Seamans Cherin & Mellott, LLC Two International Place, 16 th Floor Boston, MA 02110 Marc Hanks, Sr. Mgr./GRA Direct Energy Services,	cwaksler@eckertseamans.com ;	617-342-6800
	rmmurphy@eckertseamans.com ;	413-642-3575
	dclearfield@eckertseamans.com ;	
	Marc.hanks@directenergy.com ;	
INTERESTED PERSONS		
EERMC Marisa Desautel, Esq	marisa@desautelesq.com ;	401-477-0023
	guerard@optenergy.com ;	
John DiTomasso, AARP	jditomasso@aarp.org ;	401-248-2655
Frank Epps, EDP	Frank@edp-energy.com ;	
Matt Davey	mdavey@ssni.com ;	
Jesse Reyes	JReyes@brownrudnick.com ;	
Nathan Phelps	nathan@votesolar.org ;	
Douglas W. Gablinske, TEC-RI	doug@tecri.org ;	
Radina Valova, Pace Energy & Climate Ctr.	rvalova@law.pace.edu ;	
Marc Hanks, Sr. Mgr./GRA Direct Energy Services	Marc.hanks@directenergy.com ;	413-642-3575
	cwaksler@eckertseamans.com ;	
Lisa Fontanella	Lisa.Fontanella@spglobal.com ;	
Janet Gail Besser, SEPA (Smart Electric Power Alliance)	jbesser@sepapower.org ;	
Frank Lacey, EAC Power	frank@eacpower.com ;	
Hank Webster Policy Advocate & Staff Attorney Acadia Center 144 Westminster Street, Suite 203 Providence, RI 02903-2216	hwebster@acadiacenter.org ;	401-276-0600